

WEST ESSEX BANK CORP, INC.

(7)

October 5, 2000

Manager, Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: Docket No. 2000-57

2000 OCT -5 PM 4:37

OFFICE OF
SUPERVISOR
OF
DISSEMINATION

Re: 12 CFR Parts 563b and 575
Mutual Savings Associations, Mutual Holding Company Reorganizations, and
Conversions from Mutual to Stock Form

To Whom It May Concern:

West Essex Bank is a publicly traded mutual holding company who would like to take this opportunity to comment on the mutual holding company reorganization and conversion proposed rule making.

The Office of Thrift Supervision proposes to implement changes in the rules and strategy of governing mutual holding companies. West Essex Bank, founded in 1915, converted on October 28, 1998 from a federal mutual savings bank to a mutual holding company and offered 46% of its minority shares to the public. We successfully completed our conversion at the midpoint and raised \$17,700,000 of capital.

The Office of Thrift Supervision intends to enhance the mutual holding company structure and amend certain provisions in its mutual holding company regulations governing stock conversions, minimum returns on equity, mutual holding company benefit plan revisions and enforcement of the three year prohibition on acquisitions. It is with these regards we are writing our comments.

In reading the Notice of Proposed Rulemaking, "Federal Register/Vol. 65, No. 134/Wednesday, July 12, 2000/Proposed Rules" we find references to the existing 40% minority owned mutual holding companies who have been created to date and have chosen to remain mutual holding companies. It is with these institutions in mind that we write these comments.

Grandfathering Existing Minority Owned Mutual Holding Companies

Those mutual holding companies in existence and experienced in the public market place whose stock is being traded should not be subjected to the stringent new rules being proposed by the Office of Thrift Supervision, i.e., needs based test, returns on equity and new business plan requirements. We believe if these new rules were to be applicable to existing minority owned mutual holding companies, the market for those companies' shares could be severely impacted by the markets belief that a second step conversion would be more difficult to complete. It is presently the markets belief that a second step toward full conversion is a value and is built into the price of an existing mutual holding company stock. Presenting the perception that more stringent second step conversion regulations are forthcoming would alter this value. Therefore, it is our opinion that existing stock-owned mutual holding companies should be grandfathered from any new, more stringent second step conversion regulations.

Enforcement of Three-Year Prohibition on Acquisitions

The office of thrift supervision should not impose a three-year moratorium on the acquisitions of mutual holding companies if they are of a friendly nature. In instances where a board of director determines that a merger or acquisition is a appropriate corporate decision which will enable the institution to better serve its market and offer products and services currently unavailable, that choice should not be an Office of Thrift Supervision prohibition. These decisions are functions of a board of director in their fiduciary capacity. In attempting to make the mutual holding company a charter of choice for thrifts, the Office of Thrift Supervision should not attempt to integrate revisions to regulations that the market place perceives to alter the attractiveness of the existing format as this would be counter-productive in creating a charter of choice. If the new regulation on mutual holding companies causes the value of existing company's stock prices to decline it would appear to this writer to have a negative reflection on the mutual holding company format. Much attention should be given to this perception!

Stock Benefit Plans

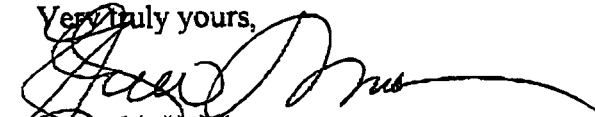
My last comment concerns the Office of Thrift Supervision proposal that allows a savings association subsidiary of a mutual holding company to offer management benefit plans of stock options as if minority shareholders held 49 percent of the stock. We seek clarification as it pertains to exiting mutual holding companies that have previously converted and were not eligible to this new proposed change. We believe this change should be available to existing minority owned mutual holding companies, with stockholder ratification of course.

Institutions such as ours have chosen the mutual holding company format so as to gradually adapt to public life and have successfully accomplished this corporate challenge. To require a second step conversion undertaking as a major feat of accomplishment would be counter-productive to our existence and all minority stock-owned mutual holding companies in the market place.

I would take this opportunity to thank you for accepting my letter of comment and would hope it clarifies subjects of concern that mutual holding companies such as ours have with the proposed rulemaking.

Thanking you, I remain,

Very truly yours,



Leopold W. Montanaro
Chairman and CEO

LWM:dlm